

MACRS

RECENT AUDIT TOPICS



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MACRS 2016 FALL CONFERENCE

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"It's safe to come out - the auditors have gone."

Overview

- Results of recent audits
- Common issues identified
- Recommendations/best practices
- Questions

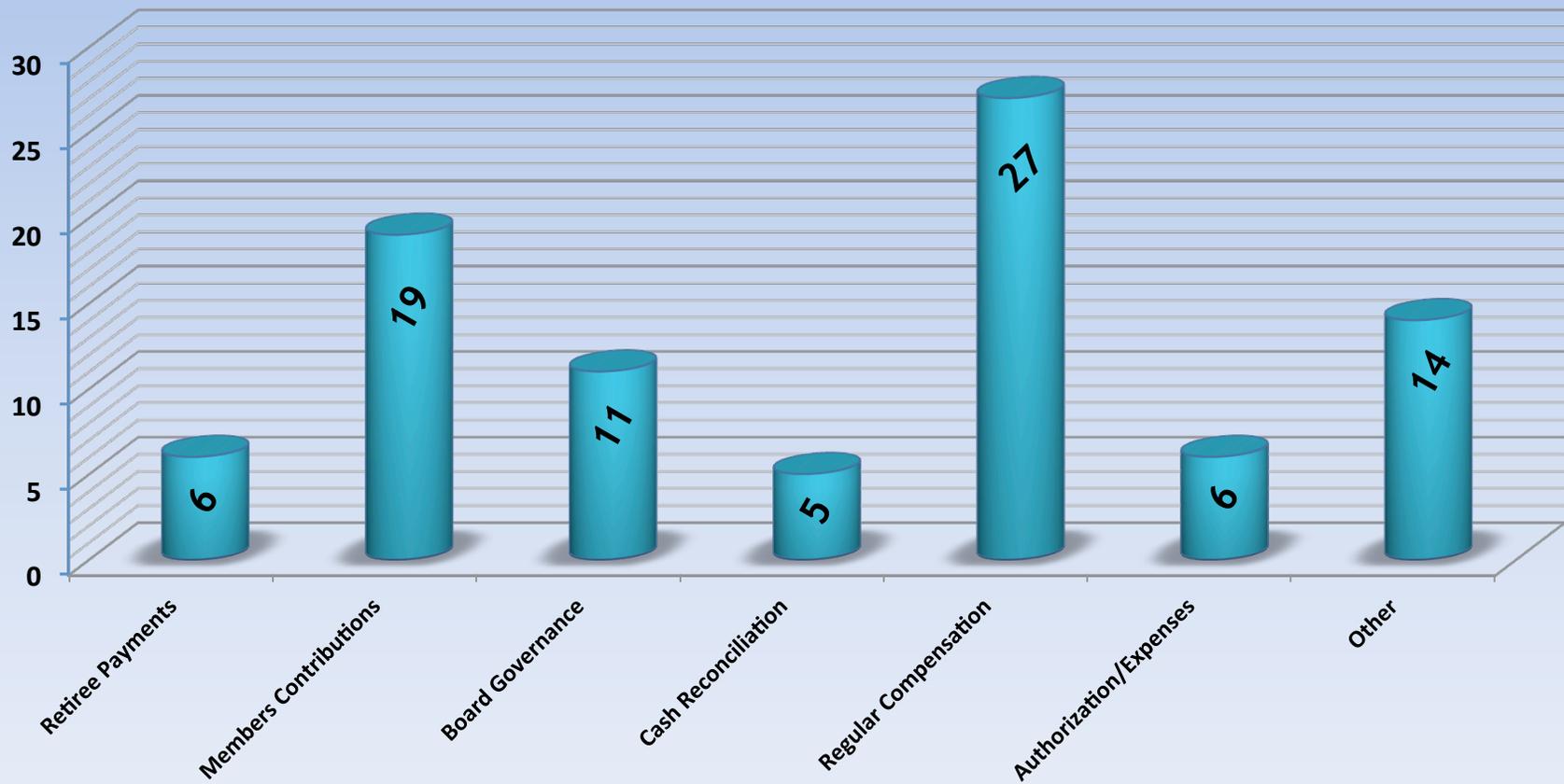
Don't
FEAR
the **AUDIT**

A 3D graphic featuring the word "AUDIT" in large, red, block letters. A magnifying glass with a black handle and a silver frame is positioned over the letter "U", focusing on it. The word "FEAR" is written in large, black, bold letters above "AUDIT". The word "Don't" is written in red, italicized letters above "FEAR". The word "the" is written in black, lowercase letters below "FEAR".

Recent Audit Topics

- Results of the 35 audits issued or conducted since January 2016
- 25 of the 35 audit reports contain findings
- 88 total issues, broken into 7 categories
 - Retiree payments
 - Members contributions
 - Board governance
 - Cash reconciliations
 - Regular compensation
 - Authorization/expenses
 - Other (3 or less issues each)

PERAC Audit Issues



Recent Audit Topics *(continued)*

- Other Category Includes:
 - Refunds
 - Investment accounting and reporting
 - Military service fund
 - Annuity saving fund/supplemental membership schedule
 - Retiree affidavits
 - 3 (8)(c) billing
 - Pension appropriations

Cash Reconciliation Topics

- Section 23(2)(a): “county, city, or town treasurer... shall be the treasurer-custodian of the system...”
- The Treasurer is not performing the reconciliations on a monthly basis which leads to long periods without reconciliations being performed before the Treasurer brings it up to date
- Cash reconciliation includes reconciling items that are carried for months

Cash Reconciliation Recommendations

- Reconciliations should be prepared by the Treasurer monthly
- All reconciling items should be reviewed and cleared by the next month
- Reconciliations should be included in the monthly financial packet that is reviewed by the Board each month

Cash Reconciliation Recommendations

(continued)

- Monthly Financial Packet should include:
 - cash reconciliation (including bank statement and outstanding check list)
 - accounting for the month (trial balance, receipts journal, disbursements journal, journal entries)
 - budget-to-actual comparison
 - custodial and/or manager statements

Board Governance Topics

- Monthly reporting packets are not being provided to the Board for review at the monthly meeting
- Board meeting attendance
- Board minutes not being approved
- Executive Session minutes
- Remote participation at Board meetings
 - <http://www.mass.gov/ago/government-resources/open-meeting-law/>

Member Contributions Topics

- Base percentage (5,7,8,9) rates incorrect
- Additional 2% contribution rate miscalculated or overlooked
 - PERAC Memo #43/1999 - 2% withholding

Regular Compensation Topics

- Contributions not being deducted from qualified compensation
 - Shift differential pay
 - On call pay
 - Police & Fire holiday pay
 - Stipends

Regular Compensation Topics *(continued)*

- Contributions being deducted from non-qualified compensation
 - Motor vehicle allowance/mileage expenses
 - Uniform allowance
 - Moving expenses
 - Fees paid to an inspector
 - Bonuses

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Standard Recommendation

- Board staff should review a full payroll register annually (at least)
- Look at all units
- Get a list of pay codes from “large” units
 - school and town usually have their own
- Review all Collective Bargaining Agreements
 - PERAC Memo #36/2011 - Chapter 176 of the Acts of 2011: An Act Providing for Pension Reform and Benefit Modernization (Non-Governance Provisions)

Pay Code Review

- Does the listing of codes include if retirement is deducted?
 - See PERAC Memo #33/2011 for guidance
- How clear are pay names?
- Contracts should be in retirement office

Deduction Code Review

- Base deductions and 2% usually have separate “deduction codes”
- Payroll system can print out a list of what pay types are subject to which deduction
- Confirm the base 5, 7, 8, 9% is deducted, and also the 2% over \$30,000

**I ♥
Being
Audited**

Questions?

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